

Message Text

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PAGE 01 KUWAIT 03368 150927Z

14

ACTION NEA-10

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E.O. 11652: N/A

TAGS: ENRG, EINV, KU

SUBJ: GOK AWARDS STUDY CONTRACT TO ROMANIAN-KUWAIT PETRO-
CHEMICAL VENTURE

1. GOK UNDERSECRETARY, MINISTRY OF OIL, MAHMOUD ADASANI HAS ANNOUNCED THE AWARD OF CONSULTANCY CONTRACT TO BEICIP, AN AFFILIATE OF FRENCH INSTITUT FRANCAIS DU PETROLE, TO UNDERTAKE FOUR-MONTH STUDY OF PROPOSED PETROCHEMICALS FACILITY TO BE LOCATED IN CONSTANTA, ROMANIA. COMPLEX WOULD PROCESS 8 MILLION TONS YEARLY IN INITIAL STAGES (FIGURE WOULD INCREASE TO 12 MILLION IN SUBSEQUENT STAGE) INTO UNSPECIFIED PETROCHEMICALS, PHARMACEUTICALS AND COSMETICS. TOTAL VALUE OF PROJECT AT \$1 BILLION.

2. STUDY ITSELF WILL DETERMINE BOTH ECONOMIC AND TECHNICAL FEASIBILITY OF PROPOSED PROJECT, IN FULFILLMENT OF GOK DEMAND FOR "NEUTRAL" EVALUATION. (PIC SOURCES REPORTED THAT U.S. FIRM, UOP, HAD AT ONE TIME BEEN FAVOURED SINCE GOK HAS WORKED WITH COMPANY ON ITS OWN AROMATICS PETROCHEMICAL PROJECT). ONCE
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PAGE 02 KUWAIT 03368 150927Z

FEASIBILITY DETERMINED, GOK WILL CONTRIBUTE 49 PERCENT SHARE,

ON FORM OF BOTH CASE AND CRUDE OIL. GOK HAS ASKED FOR EXEMPTION FROM TAXES AND REPATRIATION RESTRICTIONS ON PROJECT.

3. COMMENT: DEGREE OF INTEREST OF GOK IN ROMANIAN VENTURE LIKELY TO BE AFFECTED BY PAST EXPERIENCES IN TURKEY. JOINT VENTURE BETWEEN GOK-OWNED PETROCHEMICAL INDUSTRIES CO. (PIC) AND TURKISH FERTILIZER CO HAS RUN INTO NUMEROUS DIFFICULTIES WHICH WERE ONLY RECENTLY RESOLVED. RE-OPENING OF SUEZ CANAL RENDERED UNPROFITABLE PLAN TO UTILIZE KUWAIT-PRODUCED LIQUID AMMONIA IN SERVING TURKISH MARKET. DISPUTES RESULTED OVER PRICE OF AMMONIA, SELLING PRICE OF FERTILIZERS WITHIN COUNTRY, AND RATE OF INTEREST ON PIC LOAN. UNCERTAINTIES SUCH AS THESE ARE FAR MORE LIKELY TO SHOW UP ON PROJECT IN COUNTRY WHOSE ECONOMIC SYSTEM DIFFERS RADICALLY FROM WHAT GOK IS USED TO. GOK IN ANY CASE APPEARS TO BE APPROACHING PROJECT EARLY, INSISTING ON FEASIBILITY STUDY BEFORE MAKING FINAL DECISION.
MAESTRONE

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